GOLD NEWSLETTER ALERT #1,196

February 8, 2024

Solid Gold

Gold continues to fend off the bear attacks and, while not setting any new records, has performed impressively by remaining well above the critical $2,000 level.

I covered my current macro view in great detail last week in our March issue of *Gold Newsletter* (for which you received an advance edition), so I won't belabor those points here.

What I will note, again, is how impressive gold has been — not in the ground it has gained, but in the ground it has refused to yield.

The price remains well above $2,000, despite the attempts of the shorts to drive it below that key level, thereby triggering sell-stops and accelerating a decline that would be very profitable to them.

They must be getting incredibly frustrated by this point, as the mysterious "iceberg bid" in gold keeps coming in.

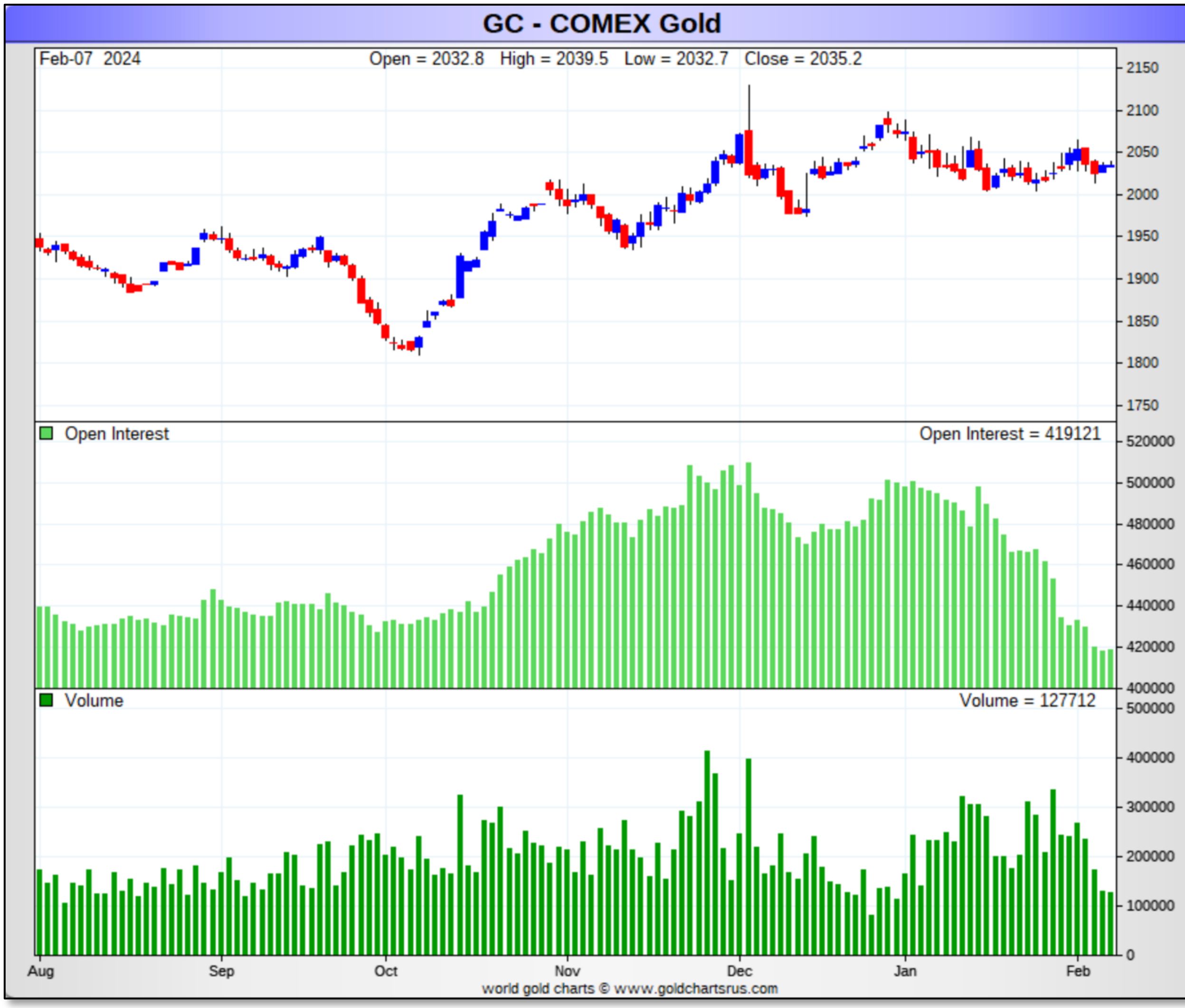
Today's trading has been a prime example. Gold started the day down about $12, but slowly recovered as the day wore on to regain virtually all of those losses. As I write, it's trading essentially flat, in contrast to a red-hot performance in silver.

For the record, spot gold at last check is down $0.70 (0.03 %) to $2,032.70 bid. Silver, as noted, has jumped $0.38 (1.72%) to $22.53. Platinum is up $9.00 (1.02%) to $888, while palladium is down $4.00 (0.45%) to $876.

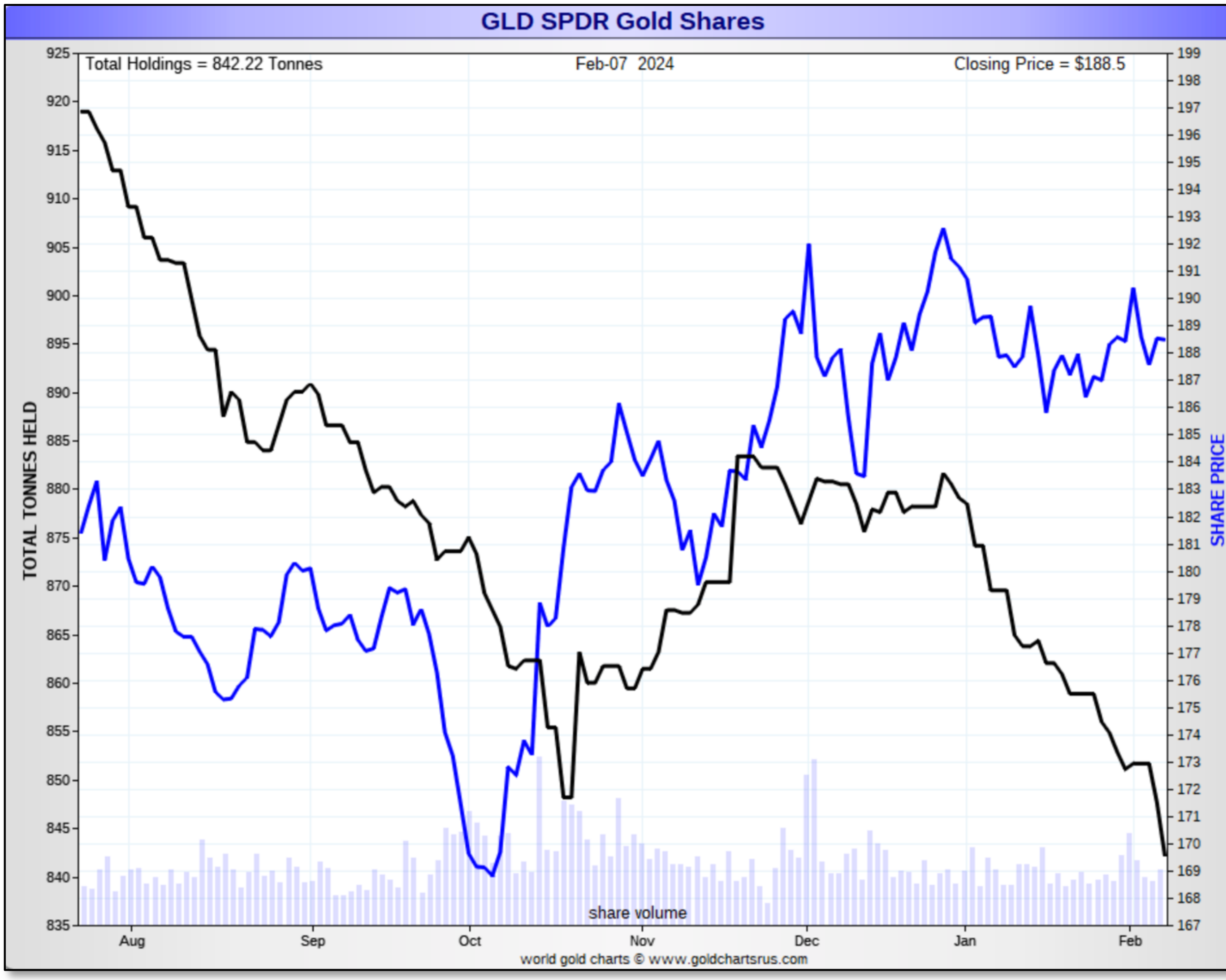
The gold stocks are slightly down, with the GDX off 0.60%, the GDXJ down 0.33%, the XAU falling 0.98% and the Gold Bugs Index (HUI) losing 0.61%.

Not a banner day for the metals outside of silver, but considering how the day began, gold's done very well.

As to where that mysterious buying in gold is coming from, one thing for sure is that it isn't coming from Western investors. As you can see from the chart below, taken from Nick Laird's wonderful GoldChartsRUS.com site, open interest and trading volume on the Comex has plummeted so far this year.



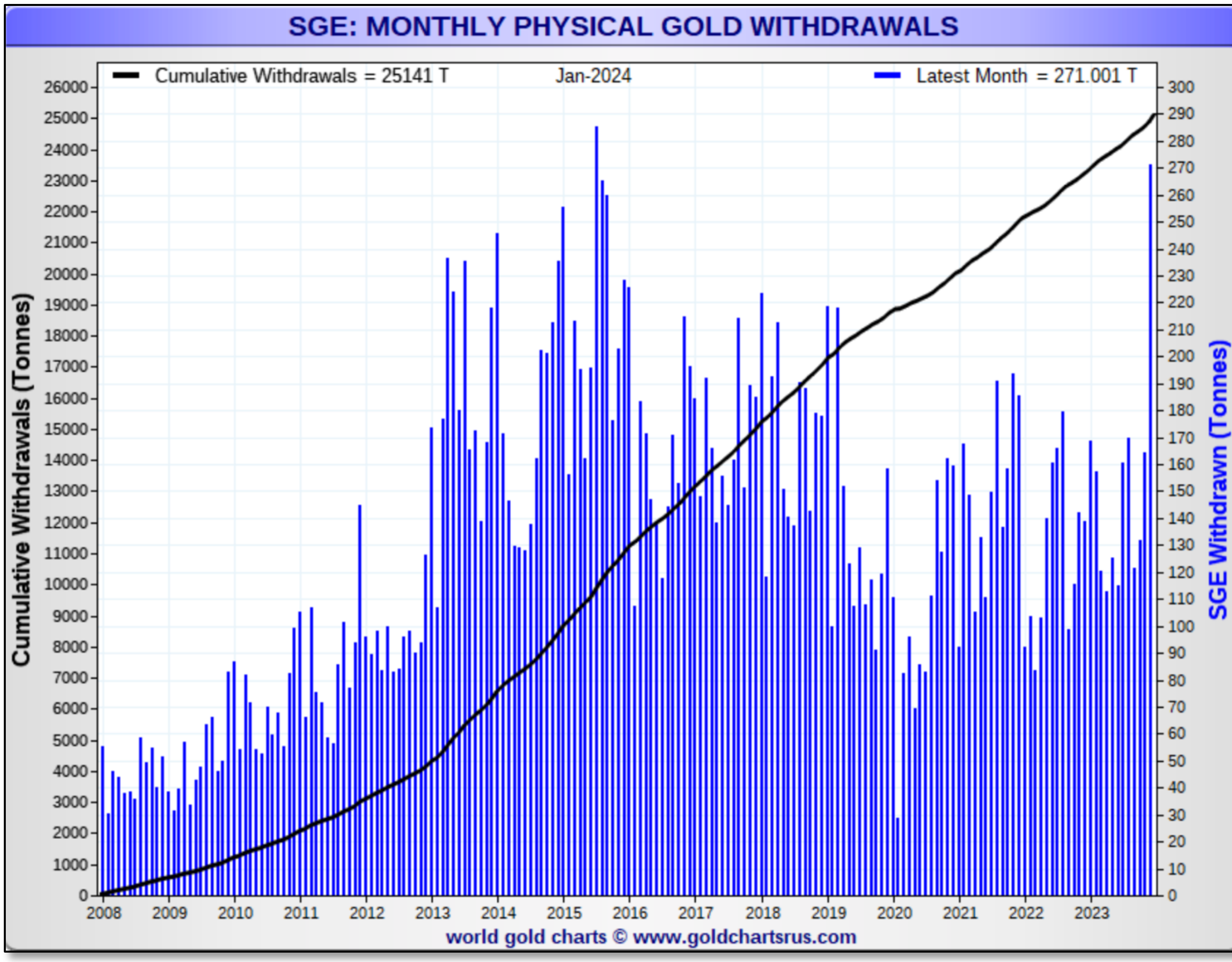
More evidence: The holdings in GLD, the largest of the “physical” gold ETFs and a great proxy for Western investment demand, have taken a similar nose dive. Nick’s chart below shows this dramatic decline in GLD gold holdings.



So where is the buying coming from? I've been assuming it's central banks on the gold bid, since the buying has been steady and not price sensitive. And I still believe there's plenty of demand from central banks.

But noted gold expert Jan Nieuwenhuijs, who I regard as the leading authority on global gold flows, drew my attention yesterday to a remarkable new data point: Withdrawals on the Shanghai Gold Exchange (which is the best gauge of domestic gold demand in China) were the second highest ever in January.

You can see this explosion in Chinese gold demand in yet another of Nick's charts on the next page.



This is quite unusual, because Asian gold buyers, and particularly Chinese buyers, are typically price sensitive. They tend to buy gold on price dips, *not* when the gold price is within spitting distance of an all-time high.

So what's going on? Perhaps the economic downturn in China is the precipitating factor here. Chinese citizens may be scooping up gold in anticipation of extreme monetary and fiscal accommodation from the government, and the inflationary repercussions that would seem likely.

It's quite a conundrum, but I'm grateful for the buying regardless of the reasons. Because without it, gold would probably be trading at least $100 lower than it is today.

Another point to consider: Because Western investors are still sitting on the sidelines, as soon as gold makes its breakout to a new trading range, that trend-following buying power will turbocharge that next gold rally.

Once the inevitable Fed pivot draws near, we should see gold take that next move. That's what we'll need to get the junior mining equities moving as well.

Again, the pivot...and the move in gold...is inevitable. With that in mind, let's take a look at what's been going on with our portfolio companies.

• First up is a "new" recommendation: **Sun Peak Metals** (PEAK.V; SUNPF.OTC; C$0.43).

Consistent readers of this missive will recognize Sun Peak as a prior recommendation from 2020.

At the time, I was extremely enthused about this company's Shire project in Ethiopia and its ability to contain rich, polymetallic mineralization similar to the Bisha and Asmara deposits in Eritrea.

The technical team at Sun Peak discovered those latter deposits and saw in Shire a chance to make a new discovery.

Unfortunately, Sun Peak picked early 2020 to list, which turned out to be a week before violence broke out across Ethiopia, with the fighting particularly intense in the Tigray region where Shire is located.

At that point Sun Peak pulled out of the country and waited until it felt it was safe to return. It continued paying its local employees. It also arranged for force majure agreements on its Shire concessions with the Ethiopian government. And with Sun Peak's country risk flashing red, I ceased coverage.

Fast forward to today, and the situation in Ethiopia has stabilized enough that Sun Peak is ready to begin work again. It has gotten the force majure lifted on the Meli, Nefasit and Terer concessions. The government will lift force majure on its other three Shire concessions (Adi Dairo, Adi Mendi and Wokemba) later in 2024.

Meli and Terer are more advanced than the other targets, with pre-IPO drilling by Sun Peak uncovering high-grade polymetallic intercepts. The best interval from Meli returned 15.3 meters of 3.18 g/t gold, 25.0 g/t silver, 2.2% copper and 1.4% zinc, and the best interval from Terer cut 17.9 meters of 3.95 g/t gold, 45.5 g/t silver, 1.4% copper and 1.6% zinc.

PEAK will likely fill in the details of its renewed work on these concessions in the coming weeks, and I would expect drilling to begin in the next couple of months.

Sun Peak's share price has been trading up on the news and it's currently hovering in the mid-40-cents range. Given the upside I see on the Shire project, I think current levels make for a great entry point for the company as it gets the drills turning again.

Granted, there is country risk here, but if you're comfortable with that risk, Sun Peak Metals makes for a compelling bet on polymetallic deposit discovery. It's a buy.

• **i-80 Gold** (IAU.TO; IAUX.NYSE-A; C$1.84) is raising money to support its exploration and development efforts on its key projects in Nevada.

Yesterday, the company announced a non-brokered private placement of 10 million common shares priced at C$1.80 per share of up to C$18 million. The raise will only be moderately dilutive.

It will give i-80 the funds to stay aggressive drilling its Granite Creek, Ruby Hill and McCoy-Cove projects. If you share my conviction that i-80 Gold is on its way to becoming a Nevada-focused mid-tier producer, you'll consider the company a buy at current levels.

• **Scottie Resources** (SCOT.V; SCTSF.OTC; C$0.18) released the final assays from its 2023 drilling program on the Blueberry Contact zone in British Columbia's Golden Triangle.

The 20,130-meter program focused on expanding this zone and managed to drill off high-grade mineralization down to a depth of more than 525 meters.

Highlights from this last batch of assays include Hole 312, which cut 13.9 g/t gold over 7.0 meters and Hole 305, which intersected 59.2 g/t gold over 1.25 meters and 9.5 g/t gold over 1.0 meter.

The Blueberry Contact zone has been traced for 1,550 meters along strike and looks to be a significant gold deposit. Scottie is already planning its follow-up drilling program for the 2024 field season. Work on that program will begin in a few months, so there's no rush, but Scottie Resources remains a buy.

• **Ridgeline Minerals** (RDG.V; RDGMF.OTC; C$0.95) updated the market on its plans for its Swift and Black Ridge (formerly Carlin-East) projects in Nevada. Both are prospective for deep deposits of Carlin-style gold and both are subject to joint venture deals with Nevada Gold Mines.

After spending $7.5 million on the projects through Dec. 31, 2023, NGM plans to spend another $5.2 million on them in 2024. The bulk of that money will go towards drilling Swift with 3-5 deep core holes. Black Ridge will see a round of surface work to identify drill targets.

Deep drilling is an expensive proposition, which is why it's good Ridgeline has a well-heeled partner in NGM to foot the bill. We'll keep Ridgeline a hold while we wait to see what this program turns up in 2024.

• **Aya Gold & Silver** (AYA.TO; AYASF.OTC; C$10.10) announced a bought-deal financing to raise C$67.5 million by issuing 6.59 million common shares at

C$10.25 per share. There is an over-allotment option that could boost the raise to C$77.6 million.

That's money Aya can use to fund ambitious expansion drilling programs on its Boumadine and Zgounder Regional projects. The upside of those projects, when put alongside the ongoing silver production from Zgounder, continues to make Aya one of the stronger buys on our list.

• **Banyan Gold** (BYN.V; BYAGF.OTC; C$0.32) has released an updated resource estimate for its AurMac project in the Yukon.

The company's 2023 drilling program at AurMac managed to expand its total inferred resources from 6.2 million to 7.0 million. The Powerline deposit alone now contains 6.2 million ounces of gold.

2024 will be a year where the drills focus on outlining higher-grade zones within this larger resource. Combined with recent solid recoveries from metallurgical tests, this new resource estimate reminds us that Banyan Gold is a fantastic lever on rising gold prices and a buy.

— Brien Lundin

Gold Newsletter Alert is published by Jefferson Financial, Inc., 2117 Veterans Memorial Blvd., #185, Metairie, LA 70002. For subscription details, call 800-648-8411 or send e-mail to admin@jeffersoncompanies.com.